# SASKATCHEWAN DEVELOPMENT FUND CORPORATION

# AND

# SASKATCHEWAN DEVELOPMENT FUND

# 1991 ANNUAL REPORT

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92-04742/

## LETTER OF TRANSMITTAL

Regina, Saskatchewan
March 30, 1992

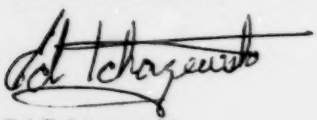
To Her Honour
The Honourable Sylvia O. Fedoruk, O.C., S.O.M.
Lieutenant Governor of the Province of Saskatchewan

Madam:

I have the honour to submit herewith the annual reports of the Saskatchewan Development Fund Corporation and the Saskatchewan Development Fund for the year ended December 31, 1991, in accordance with **The Saskatchewan Development Fund Act, 1974**. The financial statements are in the form approved by the Treasury Board and have been duly certified by the Corporation's auditors.

I have the honour to be, Madam,

Your obedient servant,



Ed Tchorzewski
Minister of Finance and
Minister Responsible
Saskatchewan Development Fund Corporation

# ANNUAL REPORT

# OF

# SASKATCHEWAN DEVELOPMENT FUND CORPORATION

# FOR THE YEAR ENDED

# DECEMBER 31, 1991

## SASKATCHEWAN DEVELOPMENT FUND CORPORATION

### BOARD OF DIRECTORS

Honourable Ed Tchorzewski, Chairman
Honourable Janice MacKinnon, Vice-Chairman
Honourable Carol Carson

### GENERAL MANAGER

Don Axtell

### INVESTMENT MANAGEMENT

Investment Corporation of Saskatchewan

### GENERAL INQUIRIES TELEPHONE NUMBERS

In Regina: (306) 787-1645
Toll free within Saskatchewan: 1-800-667-7543
Telecopier: (306) 787-8125

### MAILING ADDRESS

P.O. Box 765
Regina, Saskatchewan
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## SASKATCHEWAN DEVELOPMENT FUND CORPORATION

### HISTORY AND CURRENT HIGHLIGHTS - 1991

The Saskatchewan Development Fund Corporation (the Corporation) was established in 1974 under **The Saskatchewan Development Fund Act** to perform the duties of trustee, custodian and manager for the Saskatchewan Development Fund (the Fund), an open-end investment trust. The Corporation initially managed the affairs of the Saskatchewan Development Fund and in return received management fees and sales charges from the Fund in exchange for the Corporation's services.

In 1976, the Corporation expanded its operations to include an annuity business which offered several different types of annuities to the public. These annuities included term-certain annuities for those wishing to receive a retirement income, Income Averaging Annuity Contracts (IAAC's) during the period of time when these annuities were popular and general annuities for those desiring an investment vehicle with combined savings and growth potential. The Corporation has annuity liabilities extending to the year 2013, although most annuities mature in 1996.

The Corporation continues to manage the affairs of the Saskatchewan Development Fund although it no longer offers annuities to the public. In 1985, the Corporation moved its operations to the offices of Crown Investments Corporation of Saskatchewan and is now administered by the Saskatchewan Development Fund Corporation's Board of Directors through the use of staff and facilities provided by Crown Investments Corporation of Saskatchewan.

In 1988, the Corporation entered into an agreement with the Investment Corporation of Saskatchewan (ICS) to provide investment counsel with respect to the Corporation's investment activities. The Corporation has provided ICS with a statement of investment policies and guidelines which were designed to provide optimum investment returns.

At December 31, 1991, the present value of the Corporation's annuities payable was $12.8 million on 437 outstanding annuity contracts compared to an annuity liability of $14.8 million on 488 annuity contracts at December 31, 1990. The annuity liability and the number of contracts outstanding has decreased steadily since their highest level in 1981 when the annuity liability reached $36.7 million on more than 700 annuity contracts.

The Corporation reported net earnings in 1991 of $126 thousand compared to net earnings in 1990 of $170 thousand. The decrease in interest rates during the year contributed significantly to the reduced earnings. Total assets in 1991 were $14.7 million compared to $16.6 million in 1990. The market value of the Corporation's loans and investments exceeded the annuity liability at December 31, 1991 by more than $1.9 million. As a result, the Corporation has an adequate level of investments to provide for future obligations.

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Management has prepared the financial statements of the Saskatchewan Development Fund Corporation (the Corporation) in accordance with generally accepted accounting principles applied on a consistent basis with that of the previous year. The financial data included elsewhere in this report is consistent with the financial statements and the underlying information from which these financial statements were prepared.

Management has the primary responsibility for the integrity and objectivity of the financial statements. To fulfil this responsibility, the Corporation maintains appropriate systems of internal controls, policies and procedures to provide reasonable assurance that assets are safeguarded and that the books and records reflect the authorized transactions of the Corporation.

Arscott & Partners, the Corporation's external auditors, have reviewed the systems of internal control and examined the financial statements in accordance with generally accepted auditing standards to enable them to express their opinion on the financial statements. Their report appears on the following page.

The financial statements have been examined and approved by the Board of Directors.

On behalf of the Saskatchewan Development Fund Corporation,

Don Axtell
General Manager

## AUDITORS' REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the statement of financial position of the Saskatchewan Development Fund Corporation as at December 31, 1991 and the statements of earnings and reinvested earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1991 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Regina, Canada
February 12, 1992

Chartered Accountants

## SASKATCHEWAN DEVELOPMENT FUND CORPORATION

## STATEMENT OF FINANCIAL POSITION

As at December 31

| | 1991 | 1990 |
|---|---|---|
| **ASSETS** | | |
| Current Assets | | |
| Cash and short-term investments | $ 2,557,700 | $ 1,369,185 |
| Accounts receivable | - | 16,710 |
| Interest receivable | 311,296 | 351,925 |
| Current portion of loans receivable | 1,153,248 | 1,104,653 |
| | 4,022,244 | 2,842,473 |
| Loans receivable (Note 3) | 6,173,692 | 7,327,413 |
| Investments (Schedule) | 4,511,868 | 6,440,494 |
| Fixed assets (Note 4) | 1,658 | 2,306 |
| | $14,709,462 | $16,612,686 |
| **LIABILITIES AND PROVINCE'S EQUITY** | | |
| Current Liabilities | | |
| Accounts payable | $ 11,417 | $ 15,232 |
| Due to Saskatchewan Development Fund | 1,063 | 11,542 |
| Current portion of annuities payable | 2,050,000 | 2,000,000 |
| | 2,062,480 | 2,026,774 |
| Annuities payable (Note 5) | 10,764,367 | 12,829,195 |
| | 12,826,847 | 14,855,969 |
| Contingent liability (Note 6) | | |
| Province of Saskatchewan's Equity | | |
| Equity advances (Note 7) | 1,150,000 | 1,150,000 |
| Reinvested earnings | 732,615 | 606,717 |
| | 1,882,615 | 1,756,717 |
| | $14,709,462 | $16,612,686 |

APPROVED ON BEHALF OF THE BOARD:

_____, Director

_____, Director

(See accompanying notes)

## SASKATCHEWAN DEVELOPMENT FUND CORPORATION

## STATEMENT OF EARNINGS AND REINVESTED EARNINGS

For the Year Ended December 31

| | 1991 | 1990 |
|---|---|---|
| Revenue | | |
| Interest - loans | $ 1,050,806 | $ 1,192,809 |
| Interest - investments | 813,552 | 948,820 |
| Fund management fees (Note 8) | 70,416 | 75,087 |
| Gain on disposition of investments | 10,285 | 11,070 |
| | 1,945,059 | 2,227,786 |
| Expenses | | |
| Interest - annuities | 1,703,134 | 1,951,175 |
| Salaries and benefits | 57,875 | 57,575 |
| Administrative | 58,152 | 49,096 |
| | 1,819,161 | 2,057,846 |
| Net earnings | 125,898 | 169,940 |
| Reinvested earnings, beginning of year | 606,717 | 436,777 |
| Reinvested earnings, end of year | $ 732,615 | $ 606,717 |

(See accompanying notes)

## SASKATCHEWAN DEVELOPMENT FUND CORPORATION

## STATEMENT OF CASH FLOWS

For the Year Ended December 31

| | 1991 | 1990 |
|---|---|---|
| **Cash provided by (used in) operating activities** | | |
| Net earnings | $ 125,898 | $ 169,940 |
| Add (deduct) non-cash items | | |
| Amortization of discounts | (2,670) | (30,785) |
| Gain on disposition of investments | (10,285) | (11,070) |
| Depreciation | 648 | 1,536 |
| | 113,591 | 129,621 |
| Net change in non-cash working capital balances related to operations (Note 9) | 43,045 | 16,376 |
| Cash provided by operating activities | 156,636 | 145,997 |
| **Cash provided by (used in) investment activities** | | |
| Purchase of investments | (1,659,313) | (157,050) |
| Proceeds from sale of investments | 3,590,162 | 1,613,720 |
| Collection of principal on mortgages | 10,732 | 254,709 |
| Cash provided by investment activities | 1,941,581 | 1,711,379 |
| **Cash provided by (used in) financing activities** | | |
| Collection of loans receivable | 1,105,126 | 985,701 |
| Repayment of annuities payable | (2,014,828) | (2,008,404) |
| Cash used in financing activities | (909,702) | (1,022,703) |
| Net increase in cash during the year | 1,188,515 | 834,673 |
| Cash and short-term investments, beginning of year | 1,369,185 | 534,512 |
| Cash and short-term investments, end of year | $ 2,557,700 | $ 1,369,185 |

(See accompanying notes)

## SASKATCHEWAN DEVELOPMENT FUND CORPORATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 1991

### 1. Significant Accounting Policies:

The Saskatchewan Development Fund Corporation's accounting policies are in accordance with generally accepted accounting principles. The following are considered to be significant:

Investments:

a) Short-term investments are carried at cost. This valuation approximates their quoted market value.

b) Investments in bonds and debentures are carried at amortized cost. Discounts and premiums in excess of $1,000 on the investment's purchase date are amortized to income on the straight-line method over the remaining life of the investment.

c) Investments in equities are carried at cost less write-downs for any permanent decline in value. Dividends are recognized as income on the ex-dividend date.

d) Mortgages are carried at amortized cost.

Fixed Assets:

Fixed assets are initially recorded at cost. Normal maintenance and repair expenditures are expensed as incurred. Depreciation is provided on the diminishing balance basis at the following annual rates:

| | |
|---|---|
| Furniture and equipment | 20% |
| Computer equipment | 30% |

No depreciation is taken in the year of disposal. It is expected that these procedures will charge operations with the total cost of the assets less the estimated salvage value over their useful life. Gain or loss on the disposal of individual assets is recognized as income in the year of disposal.

### 2. Status of the Corporation:

The Saskatchewan Development Fund Corporation (SDFC) was established in 1974 under **The Saskatchewan Development Fund Act** to perform the duties of trustee, custodian and manager for the Saskatchewan Development Fund. In 1976, the Corporation also instituted an annuity business as part of its operations. The annuity operations are reflected in these financial statements. Effective January 1, 1986, the Corporation ceased to offer new annuities to the public.

SDFC has been designated by Order-in-Council as a corporation to which the provisions of Part II of **The Crown Corporations Act, 1978** apply. Accordingly, the financial results of the Corporation are included in the consolidated financial statements of Crown Investments Corporation of Saskatchewan.

SDFC is a Provincial Crown corporation and therefore not subject to Federal or Provincial income tax.

3. **Loans Receivable:**

| | 1991 | 1990 |
|---|---|---|
| Loans receivable at various interest rates, repayable in equal monthly or annual instalments until maturity | $ 7,326,940 | $ 8,432,066 |
| Less current portion | 1,153,248 | 1,104,653 |
| Long-term portion of loans receivable | $ 6,173,692 | $ 7,327,413 |

4. **Fixed Assets:**

| | 1991 | | | 1990 |
|---|---|---|---|---|
| | Cost | Accumulated Depreciation | Net Book Value | Net Book Value |
| Furniture and equipment | $ 8,293 | $ 7,938 | $ 355 | $ 451 |
| Computer equipment | 13,507 | 12,204 | 1,303 | 1,855 |
| | $ 21,800 | $ 20,142 | $ 1,658 | $ 2,306 |

5. **Annuities Payable:**

| | 1991 | 1990 |
|---|---|---|
| Annuities payable at various interest rates, repayable in monthly, quarterly, semi-annual and annual instalments until maturity | $12,814,367 | $14,829,195 |
| Less current portion | 2,050,000 | 2,000,000 |
| Long-term portion of annuities payable | $10,764,367 | $12,829,195 |

6. **Contingent Liability:**

**The Saskatchewan Development Fund Act** requires that SDFC guarantee the difference between the market value of each shareholder's investment in the Saskatchewan Development Fund upon redemption and the value of the shareholder's original investment (net of initial sales charges) including accrued interest on the investment at an annual rate of 5%. This guarantee applies only if the market value of the shareholder's investment is lower than the guaranteed amount.

The guarantee liability under this provision throughout 1991 did not exceed the market value of any investment redeemed in the current year. Therefore SDFC did not pay any amounts to the Saskatchewan Development Fund's shareholders in 1991 under this provision.

**7. Equity Advances:**

The equity advances were received from Crown Investments Corporation of Saskatchewan (CIC). The advances are non-interest bearing and repayable at the discretion of CIC.

**8. Fund Management Fees:**

SDFC recovers the costs it incurs in the management of the Saskatchewan Development Fund (the Fund) by charging the Fund a management fee. This fee is limited by **The Saskatchewan Development Fund Act** to the lesser of 1¼% of the net value of the assets of the Fund or those corporate expenses directly attributable to the management of the Fund on an annual basis.

**9. Net Change in Non-Cash Working Capital Balances Related to Operations:**

| | 1991 | 1990 |
|---|---|---|
| Decrease (increase) in accounts receivable | $ 16,710 | $ (16,710) |
| Decrease in interest receivable | 40,629 | 46,452 |
| Increase (decrease) in accounts payable | (3,815) | 3,894 |
| Decrease in due to Saskatchewan Development Fund | (10,479) | (17,260) |
| | $ 43,045 | $ 16,376 |

**10. Investment Management:**

In 1988, SDFC entered into an investment management agreement with the Investment Corporation of Saskatchewan (ICS). ICS provides investment counsel with respect to SDFC's investment activities in exchange for a management fee. SDFC is a shareholder in ICS along with several other Saskatchewan public sector pension funds and government agencies.

**11. Related Party Transactions:**

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and corporations with which SDFC is related. Account balances resulting from these transactions are included in the statement of financial position and are settled on normal trading terms.

Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

## SASKATCHEWAN DEVELOPMENT FUND CORPORATION

## SCHEDULE OF INVESTMENTS

December 31, 1991

| Description | Rate | Maturity Date | 1991 Market Value | 1991 Amortized Cost | 1990 Amortized Cost |
|---|---|---|---|---|---|
| **Federal and Provincial Bonds** | | | | | |
| Canada | 11.500% | Sep. 1, 2000 | $ 178,125 | $ 156,227 | $ 156,932 |
| Nova Scotia Power | 9.375% | Jan. 10, 2003 | 202,000 | 198,898 | 198,798 |
| Ontario Hydro | 10.375% | Jun. 16, 1998 | - | - | 200,000 |
| Ontario Hydro | 9.375% | Jan. 25, 2005 | 506,875 | 492,137 | 491,535 |
| Ontario Hydro | 10.000% | May 10, 2009 | 410,000 | 401,160 | 401,226 |
| Prince Edward Island | 10.625% | Apr. 18, 2004 | 268,750 | 250,000 | 250,000 |
| | | | 1,565,750 | 1,498,422 | 1,698,491 |
| **Corporate Debentures** | | | | | |
| Avco Financial | 10.750% | Apr. 2, 1991 | - | - | 200,199 |
| Bank of Nova Scotia | 9.900% | Feb. 28, 1995 | 1,001,413 | 950,000 | - |
| Consumers' Gas | 18.500% | Oct. 1, 1991 | - | - | 250,000 |
| Inland Natural Gas | 18.250% | Nov. 15, 1996 | 154,531 | 115,000 | 129,000 |
| National Victoria & Grey | 9.900% | Jul. 11, 1991 | - | - | 498,473 |
| Nova, An Alberta Corp. | 17.750% | Feb. 15, 1997 | - | - | 74,439 |
| Pacific Northern Gas | 18.000% | May 1, 1997 | 294,759 | 221,000 | 256,000 |
| Royal Bank of Canada | 11.550% | Oct. 6, 1992 | - | - | 500,743 |
| Royal Trust | 9.875% | Mar. 19, 1991 | - | - | 499,877 |
| Royal Trust | 9.900% | Jun. 29, 1992 | - | - | 448,950 |
| Royal Trust | 10.200% | Jun. 19, 1997 | - | - | 493,580 |
| Royal Trust | 11.400% | Nov. 2, 2000 | 524,085 | 507,325 | - |
| Sears Acceptance Co. Inc. | 12.750% | Jun. 15, 2000 | 278,111 | 229,000 | 254,000 |
| Stelco | 13.500% | Oct. 1, 2000 | - | - | 229,893 |
| Thomson Corp. | 10.550% | May 10, 2001 | 217,250 | 201,581 | - |
| Traders Group | 9.500% | Jun. 15, 1991 | - | - | 100,000 |
| West Coast Energy Inc. | 12.250% | Jul. 15, 2000 | 332,448 | 305,889 | 309,939 |
| | | | 2,802,597 | 2,529,795 | 4,245,093 |

## SASKATCHEWAN DEVELOPMENT FUND CORPORATION

## SCHEDULE OF INVESTMENTS (continued)

December 31, 1991

| Description | Rate | Maturity Date | 1991 Market Value | 1991 Amortized Cost | 1990 Amortized Cost |
|---|---|---|---|---|---|
| **Mortgages** | | | | | |
| Metropolitan Trust | 12.000% | Aug. 1, 1992 | $ 87,227 | $ 85,630 | $ 89,391 |
| Metropolitan Trust | 12.000% | Aug. 1, 1993 | 94,789 | 91,427 | 94,797 |
| Metropolitan Trust | 11.855% | Dec. 1, 1991 | 310,066 | 302,908 | 306,509 |
| | | | 492,082 | 479,965 | 490,697 |
| **Equities** | | | | | |
| Investment Corporation of Saskatchewan (100 class A shares (1990-100)) | | | 100 | 100 | 100 |
| Investment Corporation of Saskatchewan (3,586 class B shares (1990-6,113)) | | | 3,586 | 3,586 | 6,113 |
| | | | 3,686 | 3,686 | 6,213 |
| **Total Investments** | | | $4,864,115 | $4,511,868 | $6,440,494 |

# ANNUAL REPORT TO THE SHAREHOLDERS

# OF

# SASKATCHEWAN DEVELOPMENT FUND

# FOR THE YEAR ENDED

# DECEMBER 31, 1991

## SASKATCHEWAN DEVELOPMENT FUND

## HISTORY AND CURRENT HIGHLIGHTS - 1991

The Saskatchewan Development Fund (the Fund) was established in 1974 as an open-end investment trust (mutual fund) under **The Saskatchewan Development Fund Act**. Over the years, the Fund offered five types of investment accounts to the public. These were registered retirement savings plans (RRSP's), registered home ownership savings plans (RHOSP's), deferred profit sharing plans (DPSP's), registered retirement income funds (RRIF's) and regular shareholder accounts. Currently, the Fund administers only RRSP's, DPSP's and regular accounts.

In 1983, the Fund discontinued the sale of new shares to the public and became a discontinued open-end mutual fund. The Fund has been administered since its inception by the Saskatchewan Development Fund Corporation (the Corporation). The Corporation was created initially for this purpose only.

The Fund experienced steady share value increases during the first quarter of 1991 and remained fairly constant during the second and third quarters. Significant increases in the fourth quarter of the year resulted in a record high share value of $6.76 per share at December 31, 1991. This represents an increase of 37 cents per share from the December 31, 1990 share value of $6.39. This increase is attributable to the significant decrease in interest rates during the year which increased the market value of the Funds fixed-income portfolio. Stock market rallies near the close of the year also contributed to the increase.

The Fund's earnings decreased $171 thousand (or 20.5%) in 1991 to $662 thousand from $833 thousand in 1990. This decrease is largely due to the lower returns on the Fund's investment portfolio as a result of the lower interest rates and the continued move to increase the Fund's equity portfolio. Earnings per share distributed to shareholders was 40 cents in 1991 compared to 66 cents in 1990. This decrease is due to the Fund's reduced earnings noted above as well as realized losses from investments sold during the year of $170 thousand compared to gains of $17 thousand in 1990. During 1991, the Fund provided a 14.6% rate of return to the shareholders, compared to 6.7% in 1990.

The net assets of the Mutual Fund at December 31, 1991 were distributed to shareholders by type of account as listed below with comparative figures at December 31, 1990.

| | 1991 | | | | 1990 | | | |
|---|---|---|---|---|---|---|---|---|
| | Market Value | % | Number of Investors | % | Market Value | % | Number of Investors | % |
| Retirement Savings Plans | $ 6,401,954 | 78.2 | 378 | 57.6 | $ 6,411,057 | 79.1 | 417 | 58.7 |
| Regular Accounts | 1,747,461 | 21.4 | 277 | 42.2 | 1,636,320 | 20.2 | 291 | 41.0 |
| Deferred Profit Sharing Plans | 32,655 | 0.4 | 1 | 0.2 | 56,980 | 0.7 | 2 | 0.3 |
| | $ 8,182,070 | 100.0 | 656 | 100.0 | $ 8,104,357 | 100.0 | 710 | 100.0 |

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

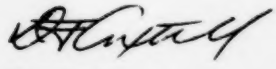
Management of the Saskatchewan Development Fund Corporation has prepared the financial statements of the Saskatchewan Development Fund (the Fund) in accordance with generally accepted accounting principles applied on a consistent basis with that of the previous year. The financial data included elsewhere in this report is consistent with the financial statements and the underlying information from which these financial statements were prepared.

Management has the primary responsibility for the integrity and objectivity of the financial statements. To fulfil this responsibility, the Fund maintains appropriate systems of internal controls, policies and procedures to provide reasonable assurance that assets are safeguarded and that the books and records reflect the authorized transactions of the Fund.

Arscott & Partners, the Fund's external auditors, have reviewed the systems of internal control and examined the financial statements in accordance with generally accepted auditing standards to enable them to express their opinion on the financial statements. Their report appears on the following page.

The financial statements have been examined and approved by the Board of Directors.

On behalf of the Saskatchewan Development Fund,



Don Axtell
General Manager
Saskatchewan Development Fund Corporation

## AUDITORS' REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the statement of assets and liabilities of the Saskatchewan Development Fund as at December 31, 1991 and the statements of change in net assets and realized gain or loss on sale of investments and earnings for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 1991 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Regina, Canada
February 12, 1992

Chartered Accountants

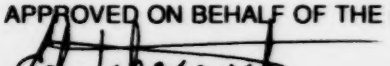
## SASKATCHEWAN DEVELOPMENT FUND

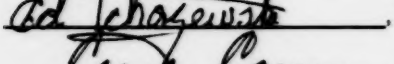
## STATEMENT OF ASSETS AND LIABILITIES

As at December 31

| | 1991 | 1990 |
|---|---|---|
| **ASSETS** | | |
| Investments at market value (Note 1 & Schedule) | $7,300,970 | $ 7,022,719 |
| Cash and short-term investments | 830,333 | 986,749 |
| Interest receivable | 161,509 | 176,588 |
| Dividends receivable | 5,224 | - |
| Due from Saskatchewan Development Fund Corporation | 1,063 | 11,542 |
| | 8,299,099 | 8,197,598 |
| **LIABILITIES** | | |
| Payable for shares of the Fund redeemed | 113,627 | 92,863 |
| Other accounts payable | 3,402 | 378 |
| | 117,029 | 93,241 |
| **NET ASSETS REPRESENTING SHAREHOLDERS' EQUITY** | $8,182,070 | $ 8,104,357 |
| 1,209,851 shares (1990 - 1,267,332 shares) (Notes 3 & 4) | | |
| **NET ASSET VALUE PER SHARE** | $ 6.76 | $ 6.39 |

APPROVED ON BEHALF OF THE BOARD:


, Director


, Director

(See accompanying notes)

## SASKATCHEWAN DEVELOPMENT FUND

## STATEMENTS OF CHANGE IN NET ASSETS AND

## REALIZED GAIN OR LOSS ON SALE OF INVESTMENTS

For the Year Ended December 31

| | 1991 | 1990 |
|---|---|---|
| **CHANGE IN NET ASSETS** | | |
| Net assets at beginning of year | $8,104,357 | $8,472,043 |
| Net earnings for the year | 661,526 | 832,869 |
| Net realized gain on sale of investments | - | 17,128 |
| Net unrealized appreciation of investments | 627,353 | - |
| | 9,393,236 | 9,322,040 |
| Less: | | |
| Cost of shares redeemed | 1,041,391 | 878,695 |
| Net realized loss on sale of investments | 169,775 | - |
| Net unrealized depreciation of investments | - | 338,988 |
| | 1,211,166 | 1,217,683 |
| Net assets at end of year | $8,182,070 | $8,104,357 |
| Net asset value per share | $ 6.76 | $ 6.39 |
| **REALIZED GAIN OR LOSS ON SALE OF INVESTMENTS** | | |
| Proceeds from sale of investments | $2,908,476 | $1,202,503 |
| Cost of investments sold during the year* | 3,078,251 | 1,185,375 |
| Realized gain (loss) on sale of investments | $ (169,775) | $ 17,128 |
| ***Cost of Investments Sold During the Year** | | |
| Cost of investments at beginning of year | $7,290,237 | $5,590,799 |
| Cost of investments purchased during the year | 2,731,766 | 2,886,939 |
| Collection of principal on mortgages | (2,617) | (2,126) |
| | 10,019,386 | 8,475,612 |
| Cost of investments at end of year | 6,941,135 | 7,290,237 |
| Cost of investments sold during the year | $3,078,251 | $1,185,375 |

(See accompanying notes)

## SASKATCHEWAN DEVELOPMENT FUND

## STATEMENT OF EARNINGS

For the Year Ended December 31

| | 1991 | 1990 |
|---|---|---|
| Income | | |
| Interest | $ 689,347 | $ 915,250 |
| Dividends | 50,238 | 230 |
| | 739,585 | 915,480 |
| Expenses (Note 7) | | |
| Management fees (Note 8) | 70,416 | 75,087 |
| Investment management fees (Note 9) | 7,137 | 5,714 |
| Other expenses | 506 | 1,810 |
| | 78,059 | 82,611 |
| Net earnings for the year | $ 661,526 | $ 832,869 |

(See accompanying notes)

## SASKATCHEWAN DEVELOPMENT FUND

## NOTES TO FINANCIAL STATEMENTS

December 31, 1991

### 1. Significant Accounting Policies:

Valuation of investments:

The Saskatchewan Development Fund's investments are recorded at market value determined as follows on the advice of the Investment Corporation of Saskatchewan:

a) Securities listed upon a recognized public exchange are valued at their closing sale price on the valuation date.

Securities not traded on that date are valued at a price between the latest closing recorded asked and bid prices.

Securities not listed upon any exchange are valued in the same manner as above based upon any available public quotation in common use or at a price estimated to be the true value thereof.

b) Mortgages are valued at their net present value by discounting their stated rates of return to current required rates of return.

c) Short-term investments are valued at cost. This valuation approximates their quoted market value.

Investment transactions and income:

Investment transactions are accounted for on the settlement date. Interest income is accrued monthly and dividend income is recognized on the ex-dividend date. Realized gains and losses from investment transactions are calculated in accordance with the average cost method.

### 2. Status of the Fund:

The Saskatchewan Development Fund (the Fund) was established as an open-end investment trust in 1974 pursuant to **The Saskatchewan Development Fund Act** and is managed under the auspices of the Saskatchewan Development Fund Corporation (SDFC) which performs the duties of trustee, custodian and manager for the Fund. On July 15, 1983, the Fund discontinued the sale of new shares and became a "discontinued open-end" investment trust.

### 3. Taxation:

The Fund qualifies as a mutual fund trust under **The Income Tax Act** and is fully registered to administrate four types of equity accounts. These are registered retirement savings plans, deferred profit sharing plans, registered retirement income funds and regular shareholder accounts.

## 4. Shareholders' Equity:

a) Shareholders' equity includes the amounts representing the shareholders' net initial investments, reinvested earnings, realized gains or losses on sale of investments and unrealized appreciation or depreciation of investments.

b) The shares of the Fund are redeemable at the option of the holder in accordance with the provisions of **The Saskatchewan Development Fund Act** and with respect to the taxation status of the shareholder's account. The Fund is now a "discontinued open-end" investment trust and has taken on no new contributions since July 15, 1983 except where contractual arrangements had been made prior to July 15, 1983.

## 5. Net Asset Value per Share:

The net asset value per share as at the end of the last five completed financial years of the Fund was as follows:

| | Year ended December 31 | | | | |
|---|---|---|---|---|---|
| | **1991** | **1990** | **1989** | **1988** | **1987** |
| Net asset value per share | $6.76 | $6.39 | $6.65 | $6.36 | $6.39 |

## 6. Net Earnings per Share:

The following are the net earnings per share of the Fund for the years indicated based on the average number of shares outstanding during the year:

| | Year ended December 31 | | | | |
|---|---|---|---|---|---|
| | **1991** | **1990** | **1989** | **1988** | **1987** |
| Net income per share (in cents) | 39.6 | 65.5 | 85.3 | 56.4 | 89.4 |

**7. Expense Ratio:**

The following is the ratio of all expenses of the Fund expressed as a percentage of the average of the net assets calculated for the purpose of the redemption of shares of the Fund as at each valuation date of the Fund.

| | Year ended December 31 | | | | |
|---|---|---|---|---|---|
| | **1991** | **1990** | **1989** | **1988** | **1987** |
| Expense ratio | 0.95% | 1.02% | 0.92% | 0.90% | 0.56% |

**8. Management Fees:**

SDFC recovers the costs it incurs in the management of the Fund by charging the Fund a management fee. This fee is limited by **The Saskatchewan Development Fund Act** to the lesser of 1¼% of the net value of the assets of the Fund or those corporate expenses directly attributable to the management of the Fund on an annual basis.

**9. Investment Management Fees:**

In 1988, SDFC entered into an investment management agreement on behalf of the Fund with the Investment Corporation of Saskatchewan (ICS). ICS provides investment counsel with respect to the investment activities of the Fund in exchange for a management fee. SDFC is a shareholder in ICS along with several other Saskatchewan public sector pension funds and government agencies.

## SASKATCHEWAN DEVELOPMENT FUND

## SCHEDULE OF INVESTMENTS

December 31, 1991

| Description | Rate | Maturity Date | Cost | Market Value |
|---|---|---|---|---|
| **Federal, Provincial and Municipal Bonds** | | | | |
| Canada | 11.500% | Sep. 1, 2000 | $ 209,400 | $ 237,500 |
| Canada | 10.250% | Mar. 15, 2014 | 476,112 | 510,737 |
| Saskatchewan | 9.875% | Jul. 6, 1999 | 222,875 | 262,812 |
| Saskatchewan | 11.250% | Jul. 12, 2000 | 247,000 | 279,063 |
| Saskatchewan | 9.000% | Feb. 1, 2002 | 443,781 | 482,500 |
| Saskatchewan | 10.000% | Jan. 18, 2010 | 462,250 | 506,875 |
| City of Regina | 11.250% | Oct. 31, 1995 | 391,566 | 400,062 |
| | | | 2,452,984 | 2,679,549 |
| **Corporate Debentures** | | | | |
| Bank of Nova Scotia | 8.700% | Nov. 13, 1996 | 500,000 | 511,555 |
| Canadian Utilities | 11.400% | Aug. 15, 2010 | 569,250 | 573,125 |
| Great West Life | 12.750% | Nov. 15, 1993 | 500,000 | 542,885 |
| Nova | 11.950% | Oct. 1, 2007 | 495,500 | 517,500 |
| Sask Wheat Pool | 9.875% | Aug. 1, 1997 | 99,000 | 101,005 |
| | | | 2,163,750 | 2,246,070 |
| **Convertible Debentures** | | | | |
| Pacific Western Airlines | 7.875% | Dec. 30, 1996 | 50,000 | 30,500 |
| **Mortgages** | | | | |
| Metropolitan Trust | 11.875% | May 1, 1992 | 197,931 | 199,186 |

**SASKATCHEWAN DEVELOPMENT FUND**

**SCHEDULE OF INVESTMENTS (continued)**

December 31, 1991

| Description | Cost | Market Value |
|---|---|---|
| **Equities** | | |
| Alcan Aluminum Ltd. (3,880 common shares) | $ 84,298 | $ 90,210 |
| American Barrick Resources (2,500 common shares) | 54,945 | 80,000 |
| Bank of Montreal (2,300 common shares) | 65,177 | 100,625 |
| Bank of Nova Scotia (1,200 common shares) | 23,010 | 25,950 |
| BC Gas Inc. (1,650 common shares) | 26,054 | 28,256 |
| BC Telephone Co. (630 common shares) | 12,584 | 14,490 |
| BCE Inc. (2,100 common shares) | 82,110 | 100,012 |
| BCE Mobile Communications (460 common shares) | 11,746 | 13,627 |
| Brascan Ltd. (1,120 Class A shares) | 21,067 | 20,440 |
| CAE Industries Ltd. (2,740 common shares) | 19,538 | 17,810 |
| Cameco Corporation (1,630 common shares) | 21,612 | 22,005 |
| Canadian Imperial Bank of Commerce (3,700 common shares) | 89,581 | 127,187 |
| Canadian Pacific Ltd. (4,000 common shares) | 77,003 | 72,000 |
| Canadian Tire Ltd. (1,530 Class A shares) | 38,637 | 34,234 |
| Canfor Corporation (960 common shares) | 24,960 | 24,360 |
| Canwest Global Comm. (920 common shares) | 11,270 | 10,120 |
| Canwest Global Comm. (460 warrants) | 690 | 736 |
| Cominco Ltd. (960 common shares) | 23,115 | 20,520 |
| Dofasco Inc. (1,130 common shares) | 24,621 | 18,645 |
| Hees International Bancorp (1,070 common shares) | 19,163 | 15,916 |
| Hemlo Gold Mines Inc. (1,070 common shares) | 11,021 | 12,305 |
| Hudsons Bay Company (670 common shares) | 23,574 | 22,780 |
| Imperial Oil Ltd. (3,800 class A convertible shares) | 227,905 | 152,000 |
| Inco Ltd. (3,030 common shares) | 101,143 | 106,808 |
| International Forest Products (2,600 class A convertible shares) | 16,757 | 22,100 |
| Labatt John Ltd. (710 common shares) | 18,865 | 18,105 |
| Lac Minerals Ltd. (2,270 common shares) | 21,849 | 20,714 |
| London Insurance Group (820 common shares) | 19,951 | 20,500 |
| MacLean Hunter Ltd. (4,350 common shares) | 47,070 | 50,025 |
| MacMillan Bloedel (1,330 common shares) | 23,336 | 24,605 |
| Maple Leaf Foods (1,300 common shares) | 19,854 | 22,100 |
| MDS Health Group Ltd. (2,420 class B shares) | 53,812 | 41,745 |
| Molson Cos. Ltd. (1,500 class A convertible shares) | 35,863 | 45,375 |
| Moore Corp. Ltd. (960 common shares) | 25,041 | 23,760 |
| Northern Telecom Ltd. (2,360 common shares) | 105,217 | 122,720 |
| Nova Corp. of Alberta (6,830 common shares) | 58,200 | 49,518 |
| Power Corp. CDA Ltd. (1,550 common shares) | 24,266 | 23,250 |

## SASKATCHEWAN DEVELOPMENT FUND

## SCHEDULE OF INVESTMENTS (continued)

December 31, 1991

| Description | Cost | Market Value |
|---|---|---|
| **Equities** (continued) | | |
| Provigo Inc. (770 common shares) | $ 9,078 | $ 7,219 |
| Renaissance Energy (1,630 common shares) | 24,770 | 21,394 |
| Royal Bank of Canada (3,600 common shares) | 81,241 | 99,450 |
| Scott's Hospitality (1,240 common shares) | 23,312 | 19,530 |
| Seagrams Ltd. (980 common shares) | 104,227 | 128,870 |
| Sears Canada Inc. (1,820 common shares) | 23,496 | 19,793 |
| Shell Canada (720 class A shares) | 32,261 | 27,720 |
| Teck Corp. (2,930 class B shares) | 60,671 | 53,106 |
| The Thomson Corp. (3,900 common shares) | 60,352 | 62,400 |
| Toronto Dominion Bank (3,240 common shares) | 62,103 | 59,130 |
| Transcanada Pipe Ltd. (1,800 common shares) | 30,054 | 31,500 |
| | 2,076,470 | 2,145,665 |
| **Total Investments** | $6,941,135 | $7,300,970 |